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UNCLAS SECTION 01 OF 02 LIBREVILLE 000230

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SUBJECT: GABON'S CHINESE-BACKED 3.6 BILLION IRON MINE PROJECT AT A STANDSTILL

REF: A. 07 Libreville 512  
1B. 08 Libreville 264

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Summary  
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11. (SBU) Since Gabon's May 2008 agreement with Chinese authorities for the development of Gabon's rich Belinga iron ore deposit (Ref. B), preliminary infrastructure work has stalled and no further activities are underway. Unofficial reports from government, diplomatic, and NGO sources cite the current world economic crisis as the cause of the standstill. At least some elements of the Gabonese government, however, blame the lack of adequate environmental and social impact studies. For their part, Chinese authorities reportedly point to an allegedly unfavorable change in their mining permit, and to a growing lack of confidence in the Gabonese legal and investment climate. One thing seems clear: after a flurry of activity and environmental controversy last year, the project currently going nowhere. END SUMMARY.

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Behind Schedule  
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12. (U) According to sources in the office of Gabonese President El Hadj Omar Bongo Ondimba, the president met with Chinese officials in Hong Kong after the Beijing Olympics in mid-2008 and was promised that work on the ambitious 25-year, \$3.6 billion project would begin in earnest by early 2009.

13. (SBU) Despite this pledge, there has been no resumption of the preliminary infrastructure development that had stalled by August 2008 in the face of local and international objections to the project (Ref. A). International concern focused on the project's environmental impact, including the potential flooding of Central Africa's largest waterfalls. Local critics also expressed concern over the terms of the deal, including financial incentives for Chinese investors and what some claimed were inadequate labor guarantees.

14. (SBU) So far, work has not begun on the hydroelectric dam slated to power the mining operation or on the mine itself. According to environmental NGOs and other sources, the environmental and social impact studies submitted in March by the Swiss company Payry Infra S.A. were rejected by the Ministry of Environment, which reportedly determined that the company underestimated the potential negative impact of the Belinga project on the environment and the local population. The ministry instructed the company to substantially revise the impact studies.

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Chinese Concerns?  
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¶5. (SBU) While the Gabonese government maintains that work on Belinga would be underway if not for its own insistence on higher quality impact studies, Embassy sources suggest that it is the Chinese who have put on the brakes. According to NGOs and Libreville-base diplomats, the Chinese have decided to wait out the world financial crisis before making further investments in the project. This reluctance on the part of the Chinese was confirmed by a press report posted on Gaboneco.com on January 17, 2009 in which Yin Zhixin, head of the joint Chinese-Gabonese company managing the Belinga project (Comibel), expressed serious concerns about the Gabonese legal and investment climate. Yin reportedly went on to say that the Chinese's confidence had been undermined by an unfavorable modification of the company's mining permit.

¶6. (SBU) In one of his few recent official functions, President Bongo reportedly told his Council of Ministers February 14, 2009 that the Belinga project remains a top government priority, and pressed officials to ensure that it succeeds.

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Comment  
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¶7. (SBU) There is an unmistakable mantle of silence and ambiguity surrounding the current status of the Belinga mine project. Media reporting is limited, and government sources are hesitant or even

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nervous about discussing the subject. This will likely be exacerbated by uncertainty about President Bongo's health, as key government players focus on establishing their position in an after-Bongo era. End Comment.

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